

Recommended Guidelines for the Distribution
Of Funds from the Urgent Need Trust
Fund during FB 2006-2008

Supplemental Report

Sent to the School Facilities
Construction Commission

Developed for the Interim Joint Committee on Appropriations and Revenue
and
Interim Joint Committee on Education
by
The Urgent Needs Advisory Committee

December 14, 2006

Introduction

Since filing the required report with the appropriate Legislative Committees on September 30, 2006, the Urgent Need Advisory Committee (UNAC) has continued its work to develop guidelines as requested in the FB 2006-2008 of the Commonwealth, which stated in regards to the Committee's task:

"In addition, funds authorized in subsections (1) and (6) of this section may be distributed to local school districts based on the guidelines developed by the Urgent Need School Trust Fund Advisory Committee after July 1, 2007."

"Notwithstanding KRS 157.622, the School Facilities Construction Commission , in cooperation with the Urgent Need School Trust Fund Advisory Committee, shall incorporate the findings and recommendations of this evaluation in determining the 2006 Offers of Assistance to local school districts."

The following additions or recommended changes to the original report and recommendations are submitted. Additions to original text sections are indicated by underlines and deletions by ~~[strikethroughs]~~. The original recommendations are found on Page 11 of the report, and the following text change was made on Page 4 of the report.

"An anomaly is usually used to describe something that is a departure or deviation from the normal rule or something that is not easily classified. Therefore, the committee has attempted to address such situations as they pertain to the existing structure that is in place for the funding of school facilities in Kentucky. Two situations were considered that emanated from previous budgets passed by the General Assembly. The first area considered was where equalization may have been inadvertently omitted from a deserving district or "as equalization funds in situations where school districts have levied additional taxes for school construction purposes". The second issue was increased funding needed to complete Urgent Need Projects from a prior budget. A third area of anomaly considered was the identification of school district(s) that could not meet a facility need due to the unique characteristics of the district. UNAC recommends funding to three districts as being an anomaly. They are stated in the Recommendation section at the end of the report. It was determined that further identification of these districts ~~[this task]~~ would be accomplished through the methodology established in the "Valuation of Factors for Extra Consideration in Funding" section of this report. "

Final Recommendation Changes or Enhancements

Equalized Facility Funding

Recommendation number one regarding the "Equalized Facility Funding" was investigated as suggested. The UNAC recommends equalization funding under this program for Bowling Green Independent, Todd County, and Walton Verona Independent school districts as meeting the criteria as set forth. In addition, UNAC recommends equalization funding for the school districts that passed the "Recallable nickel" provision of FB 2006-2008. This funding would become available in FY 2008.

Inflation Increases

In reference to recommendation number two, the Committee recommends that inflation increases be allocated for some districts which had previously received "Urgent Need Trust Fund" offers of assistance in the previous budget of the Commonwealth as recommended on the attachment "Inflation Increases for Previous Category 5 Projects".

Identified Anomalies

The UNAC recommended three districts be identified as anomalies and allocated funding as follows:

1. Because of a pending merger of the Providence Independent District into the Webster County School District severe stress will be placed on the Webster system. The Commissioner of Education directed the Providence High School to be closed. Webster County's present building inventory includes three category 4 buildings one of which is the high school, and it does not have the additional space necessary to accommodate the students from Providence. The UNAC recommends that \$5 million in bonding be allocated to Webster County School District from the available "targeted funds" bonding pool to be applied to the high school project.
2. The Graves County School District operates an elementary school in leased facilities in the town of Fancy Farm. That facility needs serious enhancements for several reasons such as to accommodate students in accordance with the Americans with Disabilities Act (ADA). Facilities Funds in Kentucky may not be spent on Leased Facilities. The district does not have space for these students at other facilities within the district. Consequently, additional new space will have to be constructed. The UNAC recommends that \$5 million in bonding be allocated to Graves County School District from the available "targeted funds" bonding pool to be used in the most efficient way to solve the problem created by this situation.

3. Fort Thomas Independent School District raised \$2.6 million in private donations from its citizens to assist in the first phase of its high school's renovation. The district has eighty percent of its current building inventory rated as a category four or five and has many needs such as becoming ADA compliant. The UNAC recommends that matching funds for the private donations of \$2.6 million be allocated to Fort Thomas Independent School District to recognize this effort and to assist in the completion of the high school project.

The above districts shall be eligible for no more than a maximum dollar amount of \$5 million in bonding or cash from all sources included in UNAC recommendations.

Targeted Urgent Need Funds

In order to target the most critical building needs across the state, the UNAC has changed recommendation number three to require that the factor analysis used in the valuation be applied only to districts that had a category 4 or 5 rated building in their district.

The UNAC has completed the process described in recommendation number three as amended above to determine a ranking for consideration in funding among the districts. That process which allocated 100 points for each member of the UNAC to assign has been completed and the assignment of the total 700 points by factor is as follows:

Urgent Needs Advisory Committee Factor Ratings of Committee	Factor Totals
Average Daily Attendance (ADA) or District Size	35
Percent of Facilities Rated a Category 4 or 5	145
Rapid Growth Districts	10
Total Unmet Need	0
Per-Pupil Unmet Need	40
Per-Pupil Assessment	170
CATS Index Based on a Five-Year Average	85
Growth in CATS Scores Over a Five-Year Period	145
Levied Tax Rate per \$1,000 of Per-Capita Income	55
Levied Tax Rate by District	15
Audit Totals	700

Using these values for each factor, an analysis of the data provided by the Kentucky Department of Education on each school district was done and a value for each district established. That listing of values is attached as a report titled

"Listing of Districts by Factor Ratings". (SFCC members please note this report will be provided to you on the day of the meeting December 14.)

Using this report a rank order was established for the districts having the most points. Proceeding down the list, beginning with the district having the most points, projects were selected for each district using the following qualifying rules until \$75 million of bonding was assigned.

1. Any facility funded must be on the District's facility plan.
2. The facility must be the one most in need of repair in the district, as determined by the following: In the case of districts which have facilities with category rankings 4 and/or 5, the selected project to be funded will be the category 4 or 5 project having the highest priority on the district's facility plan. The only exception to the above would be in the case of "growth" districts, where in these cases growth may be accommodated over building condition categories.
3. An assessment will be done with KDE to determine if there are apparent reasons why the district has these poor facilities. If the Committee determines it would be constructive to have the district submit to a management/leadership audit to better enable the district to meet facility and academic goals that would be a condition of the recommended allocation.
4. The district shall allocate all local available revenue for this project.
5. The local district will be expected, at a minimum, to have levied or to levy all taxes at the maximum rate available without recall.
6. A maximum dollar amount to be allocated shall be established at \$5 million to each qualifying district.
7. A district will have the option of escrowing their offer for up to 3 years if \$5,000,000 is less than the amount needed to complete the project when combined with all available local resources. Further, if a district is able to complete the project with \$5,000,000 or less, the bonds must be sold within twelve months of the offer of assistance or funds revert back to the SFCC for reallocation.
8. For projects which UNAC recommends for funding, for which bonds are ready to be sold, those projects will be awarded money from the amount available in FY 2008. If more projects are at this stage of readiness than money available, then the ranking order will prevail. All remaining projects funded by the UNAC will be funded in the FB 2008-2010, if and when the bonds authorized but not funded in the FB 2006-2008 are funded.
9. In case of a tie in the rankings, the following rank order will be applied to determine the district's final rank order:
 - a. Raw number of category 5 schools
 - b. Percent of category 5 schools
 - c. Raw number of category 4 schools
 - d. Percent of category 4 schools

That listing of schools is attached as "Districts Recommended for Targeted Funding" (*SFCC members please note this report will be provided to you on the day of the meeting December 14.*). This list includes recommendations for projects from ___ districts after applying the above qualifiers to ___ rank ordered districts. UNAC would recommend that the SFCC use these guidelines to make offers of assistance according to the listings attached.

Recommendation number 6 should be modified as follows to indicate that UNAC recommends \$75 million be used for targeted urgent needs funding.

"~~[A minimum of \$50 million]~~ Of the \$150 million bonding in FB 2006-2007 \$75 million should be used for ~~[inflation increases from previously funded projects and]~~ targeted urgent needs funding to districts with special facilities need. The remaining amount from the \$150 million in bonding should be allocated pursuant to the current statute. (Some members of the UNAC feel that as new data becomes available an evaluation of the current SFCC funding formula might be warranted.)"

From the Report filed September 30, 2006

Recommendations of the UNAC to the SFCC

1. The SFCC should examine evidence, which will be provided by the UNAC concerning districts that did meet the requirements for equalization funding as set forth in the section "Equalized Facility Funding" of House Bill 267 from the 2005 General Assembly session but were not awarded that funding. They should be awarded this funding.
2. The UNAC believes it is important that the projects established in the Urgent Needs Trust Fund by the passage of the FB 2004-2006 should be completed. The Committee will finish interviewing representatives of the local school districts and make a recommendation to the SFCC as to a finding of need.
3. The SFCC should target special urgent needs funds in FY 2007-2008 to districts based on the methodology for the valuation of needs as described in this report. The factors used in this valuation were:
 - A. Average daily attendance (ADA)
 - B. Percent of facilities rated a Category 4 or 5
 - C. Rapid Growth districts
 - D. Total unmet need
 - E. Per-pupil unmet need
 - F. Per-pupil assessment
 - G. CATS scores index based on a five-year average
 - H. Growth in CATS scores over five year period
 - I. Levied tax rate per \$1,000 of per-capita income
 - J. Levied tax rate by district
4. The UNAC feels the bedrock of the current facilities system relies heavily on the accuracy and expediency of the school building assessments; and therefore, urges the SFCC to communicate to the General Assembly that funds would be essential for the purpose of engaging a third party, if necessary, to assist in the completion of this work, with the goal of obtaining a new facility plan for each district as well as a new evaluation of each building within the next two years.
5. The Rapid Growth districts should be allowed to use restricted funds for operational purposes during the first biennium of a new school's operation. The SFCC should endorse this recommendation for the needed statutory or regulatory changes.

From the Report filed September 30, 2006

6. A minimum of \$50 million of the \$150 million bonding in FB 2006-2007 should be used for inflation increases from previously funded projects and targeted urgent needs funding to districts with special facilities need. The remaining amount from the \$150 million in bonding should be allocated pursuant to the current statute. (Some members of the UNAC feel that as new data becomes available an evaluation of the current SFCC funding formula might be warranted.)
7. The money required for the equalization corrections referred to in recommendation # 1 should be taken from the \$5 million cash allocated to the Urgent Needs Trust Fund in the FB 2006-2008. The remaining amount from that allotment should be used, as needed, following completion of the valuation of needs process.
8. The UNAC agreed with the recommendations of the Facilities Task Force Study concerning the local tax policy. The UNAC urges the SFCC to support this position.

Listing of Districts by Factor Rating

CODE	DISTRICT	Size	% 4 & 5	Rapid Growth	Pupil Unmet Need	Per Pupil Assessment	CATS Index	CATS Growth	Per Capita Tax Rate	Tax Rate Levied	Factors Total
593	Williamstown Independent	35	145	10	40	170	85	145	55	15	700
013	Augusta Independent	35	145	0	40	170	0	145	55	15	605
354	Ludlow Independent	35	145	0	0	170	85	0	55	15	505
585	Webster County	0	145	0	40	170	0	145	0	0	500
505	Robertson County	35	145	0	0	170	0	145	0	0	495
285	Johnson County	0	0	0	0	170	85	145	0	0	400
132	Cloverport Independent	35	145	0	40	170	0	0	0	0	390
371	Magoffin County	0	0	0	0	170	0	145	55	15	385
031	Bell County	0	0	0	0	170	0	145	55	0	370
061	Breathitt County	0	0	0	0	170	0	145	55	0	370
125	Clay County	0	0	0	0	170	0	145	55	0	370
271	Jackson County	0	0	0	0	170	0	145	55	0	370
301	Knox County	0	145	0	0	170	0	0	55	0	370
401	McCreary County	0	0	0	0	170	0	145	55	0	370
477	Paintsville Independent	35	145	0	0	0	85	0	55	15	335
185	Fulton County	35	145	0	0	0	0	145	0	0	325
341	Lincoln County	0	145	0	0	170	0	0	0	0	315
155	Elliott County	35	0	0	40	170	0	0	55	0	300
092	Campbellsville Independent	0	145	0	0	0	0	145	0	0	290
533	Silver Grove Independent	35	145	0	40	0	0	0	55	15	290
586	West Point Independent	35	145	0	40	0	0	0	55	15	290
176	Fort Thomas Independent	0	145	0	40	0	85	0	0	15	285
225	Hancock County	0	145	0	40	0	85	0	0	15	285
026	Beechwood Independent	35	145	0	0	0	85	0	0	15	280
502	Raceland Independent	35	0	0	40	170	0	0	0	15	260
133	Corbin Independent	0	0	0	0	0	85	145	0	15	245
415	Menifee County	35	0	0	40	170	0	0	0	0	245
392	Mayfield Independent	0	0	0	0	170	0	0	55	15	240
491	Pike County	0	0	0	40	0	0	145	55	0	240
478	Paris Independent	35	145	0	40	0	0	0	0	15	235
205	Graves County	0	0	0	0	0	85	145	0	0	230

Listing of Districts by Factor Rating

CODE	DISTRICT	Size	% 4 & 5	Rapid Growth	Pupil Unmet Need	Per Pupil Assessment	CATS Index	CATS Growth	Per Capita Tax Rate	Tax Rate Levied	Factors Total
595	Wolfe County	0	0	0	0	170	0	0	55	0	225
141	Cumberland County	35	145	0	40	0	0	0	0	0	220
441	Morgan County	0	0	0	40	170	0	0	0	0	210
561	Trimble County	0	145	0	40	0	0	0	0	0	185
581	Wayne County	0	145	0	40	0	0	0	0	0	185
113	Caverna Independent	35	145	0	0	0	0	0	0	0	180
025	Bath County	0	0	0	0	170	0	0	0	0	170
105	Carter County	0	0	0	0	170	0	0	0	0	170
335	Lewis County	0	0	0	0	170	0	0	0	0	170
495	Powell County	0	0	0	0	170	0	0	0	0	170
591	Whitley County	0	0	0	0	170	0	0	0	0	170
171	Fleming County	0	145	0	0	0	0	0	0	0	145
175	Floyd County	0	0	0	0	0	0	145	0	0	145
235	Harlan County	0	0	0	0	0	0	145	0	0	145
241	Harrison County	0	145	0	0	0	0	0	0	0	145
425	Metcalfe County	0	145	0	0	0	0	0	0	0	145
485	Perry County	0	0	0	0	0	0	145	0	0	145
501	Pulaski County	0	0	0	0	0	0	145	0	0	145
515	Rowan County	0	0	0	0	0	0	145	0	0	145
157	Erlanger-Elsmere Independen	0	0	0	40	0	85	0	0	15	140
101	Carroll County	0	0	0	40	0	0	0	55	15	110
152	Elizabethtown Independen	0	0	0	0	0	85	0	0	15	100
446	Murray Independent	0	0	0	0	0	85	0	0	15	100
385	Martin County	0	0	0	40	0	0	0	55	0	95
011	Anderson County	0	0	0	0	0	85	0	0	0	85
145	Daviess County	0	0	0	0	0	85	0	0	0	85
197	Glasgow Independent	0	0	0	0	0	85	0	0	0	85
291	Kenton County	0	0	0	0	0	85	0	0	0	85
381	Marshall County	0	0	0	0	0	85	0	0	0	85
405	McLean County	0	0	0	0	0	85	0	0	0	85
445	Muhlenberg County	0	0	0	0	0	85	0	0	0	85

Listing of Districts by Factor Rating

CODE	DISTRICT	Size	% 4 & 5	Rapid Growth	Pupil Unmet Need	Per Pupil Assessment	CATS Index	CATS Growth	Per Capita Tax Rate	Tax Rate Levied	Factors Total
521	Russell County	0	0	0	0	0	85	0	0	0	85
095	Carlisle County	35	0	0	40	0	0	0	0	0	75
134	Covington Independent	0	0	0	0	0	0	0	55	15	70
452	Newport Independent	0	0	0	0	0	0	0	55	15	70
476	Paducah Independent	0	0	0	0	0	0	0	55	15	70
245	Hart County	0	0	0	0	0	0	0	55	0	55
325	Leslie County	0	0	0	0	0	0	0	55	0	55
331	Letcher County	0	0	0	0	0	0	0	55	0	55
005	Allen County	0	0	0	40	0	0	0	0	0	40
045	Boyd County	0	0	0	40	0	0	0	0	0	40
115	Christian County	0	0	0	40	0	0	0	0	0	40
345	Livingston County	0	0	0	40	0	0	0	0	0	40
165	Fayette County	0	0	0	0	0	0	0	0	15	15
275	Jefferson County	0	0	0	0	0	0	0	0	15	15
001	Adair County	0	0	0	0	0	0	0	0	0	0
012	Ashland Independent	0	0	0	0	0	0	0	0	0	0
041	Bourbon County	0	0	0	0	0	0	0	0	0	0
071	Bullitt County	0	0	0	0	0	0	0	0	0	0
091	Campbell County	0	0	0	0	0	0	0	0	0	0
121	Clark County	0	0	0	0	0	0	0	0	0	0
131	Clinton County	0	0	0	0	0	0	0	0	0	0
211	Grayson County	0	0	0	0	0	0	0	0	0	0
231	Hardin County	0	0	0	0	0	0	0	0	0	0
251	Henderson County	0	0	0	0	0	0	0	0	0	0
255	Henry County	0	0	0	0	0	0	0	0	0	0
295	Knott County	0	0	0	0	0	0	0	0	0	0
365	Madison County	0	0	0	0	0	0	0	0	0	0
421	Mercer County	0	0	0	0	0	0	0	0	0	0
471	Owen County	0	0	0	0	0	0	0	0	0	0
565	Union County	0	0	0	0	0	0	0	0	0	0